

# SUMMARY ANALYSIS OF AMENDED BILL

## Franchise Tax Board

Author: Baca Analyst: Colin Stevens Bill Number: SB 37

Related Bills: See Prior Analysis Telephone: 845-3036 Amended Date: 4/12/99

Attorney: Doug Bramhall Sponsor:

**SUBJECT:** Minimum Tax/Exempts New Corporations For First Income Year

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended \_\_\_\_\_.

AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as amended FEBRUARY 9, 1999.

FURTHER AMENDMENTS NECESSARY.

DEPARTMENT POSITION CHANGED TO NEUTRAL.

REMAINDER OF PREVIOUS ANALYSIS OF BILL AS AMENDED FEBRUARY 9, 1999, STILL APPLIES.

OTHER - See comments below.

### SUMMARY OF BILL

Under the Bank and Corporation Tax Law (B&CTL) this bill would exempt a qualified new corporation (QNC) that is incorporated or qualifies on or after January 1, 2000, from prepaying the minimum franchise tax to the Secretary of State.

This bill also would make a change to the General Fund revenue forecast. This provision will be discussed only as it relates to the Franchise Tax Board.

### SUMMARY OF AMENDMENT

The April 12, 1999, amendments removed the provisions from the bill that would have excluded from income any gain from the sale or exchange of a capital asset purchased on or after January 1, 2001, and held for more than five years. Other than the discussion related to the deleted capital gains provision, and the new Board position, the analysis of the bill as amended February 9, 1999, still applies. The implementation and technical considerations shown below still apply.

#### Implementation Considerations

This bill would become inoperative in any year the Department of Finance (DOF) is able to certify that sufficient funds would be available to meet certain targets required to reduce the Vehicle License Fee (VLF) only if it this bill were not operative. Current law requires the DOF to make the certification on September 1 for the following fiscal year. This bill could cause some implementation problems in preparing tax booklets for printing and completing programming necessary to process tax returns.

#### Board Position:

<u>      </u> S	<u>      </u> NA	<u>      </u> NP
<u>      </u> SA	<u>      </u> O	<u>      </u> NAR
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Department/Legislative Director Date

Johnnie Lou Rosas 4/16/1999

Technical Considerations

The bill specifies two operative dates for the change to the minimum franchise tax. The operative dates should be clarified to indicate that the amendments to subdivision (f) would apply to the amendments made to paragraph (2) of subdivision (b) and that the amendments made to subdivision (g) would apply to all portions of Section 23221 except for paragraph (2) of subdivision (b).

BOARD POSITION

Neutral.

At its March 23, 1999, meeting, the Franchise Tax Board voted 2-0 to take a neutral position on this bill, as amended February 9, 1999.